



Department  
of Health

# SFY 2021-22 Medicaid Drug Cap *Stakeholder Webinar*

December 15, 2021

# Agenda

1. Recap of Medicaid Drug Cap (PHL § 280) Statutory Provisions
2. SFY 2021-22 Drug Cap Projection
3. Drug List Criteria (SFY 2018 through SFY 2022)
4. SFY 2021–22 Drugs Identified for Potential Drug Utilization Review (DUR) Board Referral
5. Next Steps
6. Resources

# Background – Recap of Statutory Provisions under § 280 of the Public Health Law (PHL)

- Limits drug spending growth to the 10–year rolling average of the medical component of the Consumer Price Index (CPI);
- Authorizes:
  - the Department of Health (DOH) to negotiate enhanced rebates with drug manufacturers in the event that the Director of the Budget determines drug spending is projected to exceed the Cap, including:
    - *Initiating rebate negotiations using target rebate amounts that are based on established cost effectiveness studies;*
    - *Negotiating drug cap rebates for which there is already a manufacturer contract in place, when warranted by significant market changes or state statutory or federal regulatory changes; and*
    - *Setting target rebate amounts without consideration of rebates for other drugs made by the same manufacturer.*
  - the DOH to collect confidential financial information related to cost of research and development and other information, which the DUR Board may consider to recommend an appropriate target rebate amount; and
  - the Health Commissioner to refer certain drugs to the DUR Board and invoke other actions [e.g. requiring prior authorization (PA), accelerating rebate collections] to the extent applicable under current law.

# SFY 21-22 Drug Cap Projection

- Pursuant to § 280 of the Public Health Law, the Division of Budget (DOB) and the Department of Health analyzed the projected SFY 21-22 State Medicaid drug spending.
- DOB concluded that expenditures are projected to exceed the Medicaid Drug Cap.
- Drug spending is projected to exceed the Drug Cap by approximately \$228M. This is driven by an overall 16.3% year-to-year increase in managed care and FFS state share pharmacy spend (net of rebates).
  - *State expenditures and rebate collections were both reduced to reflect the FFCRA eFMAP of 6.2% for the period April 2021 through March 2022.*
- The managed care expenditures were calculated by the State's actuary (Deloitte).

# SFY 2021-22 Medicaid Drug Cap

1. Program	FY 2021 Base	FY 2022 Drug Cap 2.900%	FY 2022 Projection
<b>Drug Cap Allotted Trend + CPI</b>			
MMC	\$ 5,832,918,420	\$ 6,002,073,054	\$ 6,737,364,496
HARP	\$ 858,386,898	\$ 883,280,118	\$ 940,014,933
HIV SNP	\$ 477,938,704	\$ 491,798,926	\$ 494,658,271
FFS	\$ 912,547,403	\$ 939,011,278	\$ 912,547,403
<b>2. Gross Pharmacy Spend</b>	<b>\$ 8,081,791,425</b>	<b>\$ 8,316,163,377</b>	<b>\$ 9,084,585,103</b>
State Portion of Gross Managed Care Rx Spend	\$ 2,367,278,258	\$ 2,435,929,328	\$ 2,737,517,668
State Portion of FFS Rx Spend	\$ 409,199,147	\$ 421,065,922	\$ 383,105,835
<b>3. Total State Rx Spend</b>	<b>\$ 2,776,477,405</b>	<b>\$ 2,856,995,250</b>	<b>\$ 3,120,623,503</b>
<b>OBRA and State Supp. Rebate Adjustment</b>	<b>\$ (1,071,051,425)</b>	<b>\$ (1,102,111,917)</b>	<b>\$ (1,137,268,027)</b>
% of Total State Rx Spend	38.6%	38.6%	36.4%
<b>Net Baseline Medicaid Drug Spend</b>	<b>\$ 1,705,425,979</b>	<b>\$ 1,754,883,333</b>	<b>\$ 1,983,355,475</b>
<b>Excess/(Shortfall)</b>			<b>\$ 228,472,142</b>

1. Managed Care programs and/or premiums with less than \$10M in pharmacy spending were excluded.

2. Managed Care projected Total Cost calculated by multiplying projected Members Months by projected Per Member Per Month (PMPM) premium. FFS projected Total Cost based on SFY 2021-22 global cap projections and also includes any pharmacy products currently "carved out" of Managed Care. FFS and Managed Care Total Cost includes physician administered drugs.

3. Assumes 38.0% State Share allocation for Managed Care and 49% State Share allocation for FFS.

\*State expenditures and rebate collections were both reduced to reflect the FFCRA eFMAP of 6.2% for the period April 2021 through March 2022. Rebates align with the GC estimate of \$1.3 billion less \$163M related to COVID eFMAP.

# Criteria: Drugs Contributing to Piercing the Cap

	SFY 17-18	SFY 18-19	SFY 19-20 <sup>1</sup>	SFY 20-21 <sup>2</sup>	SFY 21-22
<b>% of Total Spend (Net of All Rebates)</b>					
<i>Brands</i>	59%	61%	61%	N/A	66%
<i>Generics</i>	41%	39%	39%	N/A	34%
<b>Amount Above Drug Cap Target</b>	\$119M	\$75M	\$65M	N/A	\$228M
<b>Methodology For Identifying Drugs for Possible DURB Referral</b>	<p>1. Is the Total Spend Net of All Rebates in the Top 1% of all drugs <i>(Net Spend &gt; \$5M)</i></p> <p>2. <u>Manufacturer Credit (\$30M Credited – State Share)</u></p>	<p>1. Is Total Spend Net of All Rebates <u>OR</u> Cost per Claim Net of All Rebates in the Top 3% of all drugs <i>(Net Spend &gt; \$2.2M <u>OR</u> Net Cost per Claim &gt; \$13,000)*</i></p> <p>2. <u>Manufacturer Credit (\$63M Credited – State Share)</u></p>	<p>1. Is Total Spend Net of All Rebates <u>OR</u> Cost per Claim Net of All Rebates in the Top 3% of all drugs <i>(Net Spend &gt; \$6M <u>OR</u> Net Cost per Claim &gt; \$16,000)*</i></p>	N/A	<p>1. Is Total Spend Net of All Rebates <u>OR</u> Cost per Claim Net of All Rebates in the Top 3% of all drugs <i>(Net Spend &gt; \$6.4M <u>OR</u> Net Cost per Claim &gt; \$18,000)*</i></p>
<b># of New Drugs Identified</b>	30	42	29	N/A	39
<b>Number of Manufacturers (Unique)</b>	12	25	18	N/A	23

<sup>1</sup> Per the SFY 20 Enacted Budget, manufacturers will no longer receive a 'credit' for rebates provided on other drugs in the Medicaid program.

<sup>2</sup> DOH did not trigger Drug Cap Authorities in SFY 20-21. For more information, please refer to page 22 of the [FY 2022 1st Quarter Global Cap Report](#)

\* Under Cost per Claim criteria, only drugs with a total spend >\$1M net of all rebates were considered.

# SFY 2021-22 Initial Identification of New Drugs for Possible DUR Board Referral

Category	All Drugs With Utilization In Calendar Year 2020	Top 3% of all drugs in <u>EITHER</u> Total Net Spend <u>OR</u> Net Cost/Claim	New Drugs Identified for Possible DURB Referral
Number of Drugs	8,024	92	39
Number of Manufacturers	619	52	23

# Next Steps

Next Steps	Timeline/Target Dates
Letters/Bid Packages to Manufacturers	<ul style="list-style-type: none"> <li>• Immediately, following Webinar</li> </ul>
Negotiations with Manufacturers	<ul style="list-style-type: none"> <li>• Immediately, following distribution of letters/bid packages</li> </ul>
<p>Drug Utilization Review Board (DURB) Meetings</p> <p><i>[30 days prior to the DURB meeting, DOH will post an agenda on its website, which will (if applicable) include the names of drugs that will be reviewed for recommended target supplemental rebate amounts]</i></p>	<ul style="list-style-type: none"> <li>• January / March 2022</li> </ul>

December 2021

# Questions?

- Questions should be sent to [MASuppRebate@health.ny.gov](mailto:MASuppRebate@health.ny.gov).
- This Webinar Presentation will be available Online at:  
[https://www.health.ny.gov/health\\_care/medicaid/regulations/global\\_cap/](https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/)
- Previous Webinar presentation and FAQs are also available online (at the link above).